



STATE OF WEST VIRGINIA
OFFICE OF THE ATTORNEY GENERAL
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CONSUMER PROTECTION DIVISION
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Press Release

FOR IMMEDIATE RELEASE

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Attorney General McGraw Settles With Affiliates of Nation's Largest Payday Lender, Advance America

Attorney General Darrell McGraw's Consumer Protection Division recently entered into a settlement agreement with four affiliates of the nation's largest payday lender, Advance America, Cash Advance Centers, Inc. ("Advance America") of Spartansburg, South Carolina. The companies agreed to cease engaging in certain debt collection practices that concerned McGraw's office.

"Payday loans" are short-term loans or cash advances, typically for a period of 14 days, secured by a post-dated check for the full amount of the loan including interest or other fees. Payday loans typically require triple digit interest rates. At least two complainants obtained loans from Advance America with annual percentage rates of 390%. In contrast, West Virginia law caps interest for similar loans at 18%.

The Advance America affiliates that signed the agreement operated branch offices in Kentucky, Ohio, Pennsylvania and Virginia that were located within fifty miles of the West Virginia border. Persons residing in West Virginia, where payday lending is illegal, often travel to Advance America's offices in surrounding states that permit payday lending.

McGraw was prompted to open an investigation after receiving complaints from consumers who had defaulted on loans. The complaints alleged that Advance America attempted to coerce payment by threatening to bring criminal charges, making unauthorized collection calls to various third parties, including persons listed as "references" on loan applications, and by making personal visits to consumers at their homes in West Virginia.

During the investigation, McGraw's office learned that Advance America had in place a comprehensive employee training program as well as formal policies and procedures intended to ensure that its collection practices comply with West Virginia law. Thus, the conduct alleged by the complainants, if true, violated Advance America's policies. Nonetheless, Advance America agreed to discontinue certain debt collection practices that concerned the Attorney General.

In the agreement, Advance America agreed to permanently discontinue its practice of contacting consumers in person at their homes in West Virginia, and its practice of leaving "door hangers" for consumers when they are not home when attempting to collect alleged debts in West Virginia. Advance America also agreed to refrain from contacting third parties about alleged debts, including persons listed as "references" on loan applications, except when it has a legitimate basis to seek location information about consumers who may have moved. Advance America also agreed to close with a zero balance the accounts of four consumers who had complained to the Attorney General.

Attorney General McGraw stated, "While we cannot prevent our citizens from traveling to other states to obtain payday loans,

we will not hesitate to intervene whenever any lender employs abusive practices to collect alleged debts in West Virginia. I commend Advance America for agreeing to discontinue certain collection practices that my office found objectionable, even though it maintained that such practices were not unlawful.”

Any persons wishing to file a complaint about a consumer matter or to alert the Attorney General about unfair or deceptive practices may do so by calling the Consumer Protection Hot Line, 1-800-368-8808

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